

0100653 dg

19556  
JUN 14 1995 3 02 PM

phone -  
801-370-3337

March 15, 1995

Dennis Watson, Secretary  
Interstate Commerce Commission  
Washington, D. C. 20423

Dear Secretary:

I have enclosed an original and one copy of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U. S. Code.

This document is an offer of purchase, a primary document dated June 29, 1993. We request that this assignment be cross indexed.

The names and addresses of the parties to the documents are as follows:

Buyer:

Utah Western Railroad Company, Inc.  
P. O. Box 50295  
Provo, Utah 84605-0295

Seller:

Southern Pacific Lines  
Southern Pacific Building  
One Market Plaza  
San Francisco, CA 94105

The property covered by this document is as follows:

Southern Pacific Tintic Branch, South Central Division

A fee of \$16.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation.

RECEIVED  
OFFICE OF THE  
SECRETARY  
JUN 14 3 44 PM '95  
LICENSING BRANCH

Barry Maxfield  
Utah Western Railroad Company, Inc.  
P. O. Box 50295  
Provo, UT 84605-0295

The Document to be indexed is titled as follows: .

Proposal and offer, purchase of the Tintic Branch by the  
Utah Western Railroad Company, Inc. Dated June 29, 1993.

Very Truly Yours  
  
Barry Maxfield  
Chief Executive Officer



Interstate Commerce Commission  
Washington, D.C. 20423-0001

Office Of The Secretary

BARRY MAXFIELD  
UTAH WESTERN RAILROAD CO., INC.  
P. O. BOX 50295  
PROVO, UT., 84605

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/14/95 at 3:50PM, and assigned recordation number(s). 19556 and 19557.

Sincerely yours,

Vernon A. Williams  
Secretary

Enclosure(s)

(0100653068)  
(0100653069)

\$ 42.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature

May 24, 1995

The enclosed documents are being returned.

On April 15, 1995 a notice was sent requesting the following to be done:

- (a) A telephone number for the person of contact should be listed.
- (b) A filing fee of \$21.00 should be sent in lieu of \$16.00.

As of May 24, 1995 no response has been received.

Janice Fort

202-927-5690

PER OUR TELEPHONE CONVERSATION OF 6/12/95, I AM RETURNING ALL DOCUMENTATION TO BE FILED WITH THE TWO MONEY ORDERS (FOR \$21.00 EACH) THAT YOU HAVE IN YOUR POSSESSION. A TELEPHONE NUMBER FOR THE PERSON OF CONTACT - BARRY MAXFIELD - IS (801) 370-3337. PLEASE ALSO NOTE THAT OUR NEW MAILING ADDRESS IS:

UTAH WESTERN RAILROAD CO., INC.

P.O. Box 50295

Provo, UT 84605

PLEASE SEND ALL FUTURE CORRESPONDENCE TO THIS ADDRESS.

THANK YOU FOR YOUR ASSISTANCE

SINCERELY,

R. MAX CHATWIN

CHIEF FINANCIAL OFFICER

✓

I THE FILING FEE IS \$21.00 PER FILING IN LIEU OF \$16.00.

✓

II A TELEPHONE NUMBER FOR THE PERSON OF CONTACT SHOULD BE LISTED.

*Barry Maxfield 801-370-3337*

III THE ABOVE SHOULD BE CORRECTED AND REFILED.

RECORDATION UNIT  
RM 2311

*FILINGS ARE FOR UTAH WESTERN RAILROAD CO.'S PROPOSED*

- 1. PURCHASE OF THE TINTIC BRANCH (FROM SOUTHERN PACIFIC) -- WITH SP  
ACKNOWLEDGMENTS INCLUDED*
- 2. PURCHASE OF THE UPPER TINTIC BRANCH (FROM SOUTHERN PACIFIC)*

*BOTH DOCUMENTS SHOULD STILL BE AT YOUR OFFICE.*

CORPORATE FORM OF ACKNOWLEDGEMENT

STATE OF UTAH     )  
                              :   SS  
COUNTY OF UTAH    )

On this 17<sup>th</sup> day of March, 1995  
before me personally appeared Barry P. Maxfield, to me personally  
known, who being by me duly sworn, says he is the Chief Executive  
Officer of the Utah Western Railroad Company, Incorporated, that  
the seal affixed to the foregoing instrument is the corporate  
seal of said corporation, that said instrument was signed and  
sealed on behalf of said corporation by authority of its Board of  
Directors, and he acknowledged that the execution of the  
foregoing instrument was the free act and deed of said  
corporation.

**Utah Western Railroad Co.**  
**384 B East State Rd.**  
**Pleasant Grove, UT 84062**

SEAL

Heidi Hanks  
Notary Public

My commission expires 1-15-97



19556  
RECORDED  
INDEXED  
4  
JUN 30 1955  
U.S. DEPARTMENT OF COMMERCE  
BUREAU OF ECONOMIC ANALYSIS

PROPOSAL AND OFFER

PURCHASE OF THE TINTIC  
BRANCH BY THE UTAH WESTERN RAILROAD COMPANY, INC.

Prepared June 29, 1993



## Southern Pacific Rail Corporation

Southern Pacific Building • One Market Plaza • San Francisco, California 94105

P. F. Anschutz  
Chairman

February 4, 1994

Mr. R. Max Chatwin  
Utah Western Railroad Co.  
P. O. Box 50295  
Provo, UT 84601-0295

Dear Mr. Chatwin:

I thank you for your letter of January 21, regarding the Tintic Branch of the Southern Pacific. As I have no knowledge of this subject I have passed your letter and the information on to Mr. Mike Ongerth, who is the proper person to have contacted.

I am sure you will be hearing from him directly.

Sincerely,



Philip F. Anschutz

PFA:me





## Southern Pacific Lines

Southern Pacific Building • One Market Plaza • San Francisco, California 94105

Strategic Development  
Room 639  
Voice: 415-541-1812  
FAX: 415-541-1829

M. D. ONGERTH  
VICE PRESIDENT

February 3, 1994

Mr. R. Max Chatwin  
Chief Financial Officer  
Utah Western Railroad Company  
P. O. Box 50925  
Provo, Utah 84601-0295

Dear Mr. Chatwin:

Thank you for your letter of January 21, 1994 to Mr. Moyers, with proposal to purchase SP's Tintic branch. Our Plant Rationalization group is under my jurisdiction, and they are responsible for branch line transactions.

While some of our branch lines have been examined by this group, no analysis has been yet performed on the Tintic branch. Should there be benefits to SP from disposition of this line to a short line operator, we will solicit bids from interested parties. Your proposal will be reviewed in that process.

In the meantime, I've enclosed a Short Line Operator's Profile, which provides information for us about your organization, and would appreciate your completion and return of this document. We will keep you advised of developments.

Thank you for your interest in working with Southern Pacific.

Yours truly,

*M D Ongert*

cc: Mr. E. L. Moyers

## TABLE OF CONTENTS

- I. Introduction
- II. Proposal
- III. Customer Base
- IV. Operating plan
  - A. Train frequency
  - B. Crew/staff requirements
  - C. Locomotive requirements
  - D. Rail upgrade requirements
  - E. Railcar requirements
  - F. Supplementary operating considerations
- V. Tariffs
  - A. By classification
  - B. Station to station
- VI. Track maintenance plan
- VII. Insurance
- VIII. Financing
- IX. Financial Proforma
- X. Quality policy statement
- XI. Mission statement

## I. INTRODUCTION

The Utah Western Railroad Company was formed on July 5, 1991 to seek, buy or lease, and operate for profit railroad track as a short line railroad operator. The UWRR is a subchapter C corporation with incorporating officers Barry Maxfield, Ronald Mitchell and Max Chatwin. The stock in the corporation will remain tightly held by the incorporating officers.

## II. PROPOSAL

The Tintic Branch of the Southern Pacific Transportation Company, in its current form, is actually the remains of two railroad lines originally constructed to service Utah's mining industry.

With the discovery of gold and silver ore in the Tintic Range in the late 1800's, rail service to the area became a necessity. Though the Salt Lake and Western Railway (later Union Pacific) was the first to reach the district, the Rio Grande Western Railway constructed its own line (as the Tintic Range Railway) in 1891 and 1892. Leaving the RGW mainline at Springville, the branch traveled 39.7 miles to Eureka, with later extensions to Mammoth and Silver City. Total branch cost to Eureka was \$1,544,631.00.

Following his discovery and development of large ore bodies on the eastern slope of the Tintic Range, Emil Raddatz organized the Goshen Valley Railroad in 1918 to service his mines. Nine miles of track were laid from Pearl (M.P. 27.5 on the RGW Tintic Branch) to the town of Dividend, with a branch to Iron King later constructed. Total investment cost was \$504,167.00, with stock pledged to the Reconstruction Finance Corporation as collateral. Later, in 1927, all capital stock of the Goshen Valley Railroad was purchased by the newly formed Denver and Rio Grande Western Railroad, afterwhich the same leased the property to itself for \$1.00 per year.

As mining in the district began to decline, rail on the Tintic Branch was steadily removed. The track to Dividend was abandoned in the late 1940's to a point named Flora, leaving the branch to Iron King, which later was severed at the Burgin Mine (M.P. 32.4). Likewise, rail to Eureka was removed in the 1970's back to the junction at Pearl, leaving behind what now constitutes SP's Tintic Branch.

The Utah Western Railroad Company is submitting for consideration this proposal to purchase the Tintic branch line from the Southern Pacific Transportation Company.

The Utah Western Railroad Company would submit for consideration an offer for the following property description:

A). RAILROAD

32.4 miles of railroad track including sidings and yards starting at the M.P. 695.8 switch from the Denver and Rio Grande Western (SP) mainline.

All right of way properties.

All rail and railroad ties on right of way.

All right of way property, rail and railroad ties (including sidings) from M.P. 32.4 to end of track at Iron King.

Spanish Fork Team track property.

Payson Maintenance of Way yard property.

B). STRUCTURES

Spanish Fork trestle

Payson trestle

Pearl trestle

Burgin trestle

Payson Maintenance of Way sheds,  
including all materials on the property.

The Utah Western Railroad Company is prepared to make an offer as follows:

A). For the purchase of the railroad and structures the Utah Western Railroad Company tenders an offer of \$485,086.11.

B). The Utah Western Railroad Company requires 100 open hopper cars from D&RGW 14000 and 17000 series. We would offer \$120,000 for these railcars.

The closing date of the purchase would be midnight April 5, 1993, upon which all monies for the purchase of the above properties will be delivered to the Southern Pacific Lines.

### III. CUSTOMER BASE

It is the belief of the UWRR that a shortline operator could more readily take advantage of the potential business the Tintic branch has to offer.

There are currently six active customers on this branch line. These clients, with their pertinent data, are as follows:

Customer	Location	Commodity	Estimated Annual Carloadings
Cressona AL	Sp. Fork	Metals	156
Christiansen	Sp. Fork	Feed	260
Kiegley	Payson	Limestone	1820
LDS Silo	Elberta	Grain	60
Spanish Fork Foundry	Spanish Fork	Sand	2
Steve Huff	Spanish Fork	Cotton Seed	100
TOTAL.....			2392

The untapped traffic potential of the branch exists in the form of several other possible customers that can be served directly or indirectly by rail service. They include:

Customer	Commodity	Siding
<u>SPRINGVILLE</u>		
National Refractory	clays	yes
Swains	farm equipment	no
<u>SPANISH FORK</u>		
Mountain Country Meats	preservatives	no
Swensons	scrap metal	yes
PDM	new steel	no
Economy Steel	new steel	yes
Anderson Farm Supply	fertilizer	yes
Johnson Tractor	farm equipment	no
H.E. Davis	aggregates	no
Valley Asphalt	asphalt	yes
Wilbur-Ellis	fertilizer	yes
Natures Sunshine	herbal products	no
Banta ISG	paper rolls	no
Longview Fiber	paper rolls	no

Harward Irrigation	pipe	yes
Bell Coal	coal	no
Teleflex Defense Systems	rocket launchers	no

#### BENJAMIN

Intermountain Farmers	fertilizer	no
-----------------------	------------	----

#### PAYSON

Payson Power	diesel	no
Muir-Roberts	fruit	yes
American Stores	dry goods/lumber	no
Payson Farmer Cooperative	fruit	no
Sorenson Fruit	fruit	no
West Mountain Fruit	fruit	no
Elberta Orchards	fruit	no
Payson Fruit Growers	fruit	no
J. Reed Rowley Sons	fruit	yes
South Shore Farms (McMullan)	fruit	no
Golden Acres Corp.	agriculture	no

#### SANTAQUIN

W.M. Erkanbrack	fruit	no
Bill Ferguson Orchards	fruit	no
Kenyon Farley Orchards	fruit	no

#### GENOLA

Kiegley Bagged Limestone	limestone	yes
McMullan Orchards	fruit	no
Kester Auto Wrecking	scrap metal	no
Rowley Cherry Hill Orchards	fruit	no
Mountainland Apples	fruit	no
Ekin Orchards	fruit	no

#### ELBERTA

Municipal landfill	garbage	no
Elberta Farms	grain	no
West Hill Orchards	fruit	no
B-Bar Dairy	cotton seed	no
LDS feed lot	grain/hay	no

#### BURGIN

Burgin	ore concentrates	yes
--------	------------------	-----

Apex Standard No.2	ore concentrates	yes
Trixie	ore concentrates	yes
U.S. Energy Shaft No.1	ore concentrates	yes

### EUREKA

Chief Consolidated Mines	ore concentrates	no
North Lily Mining Co.	ore concentrates	no
Orient Mining Co.	ore concentrates	no

In order to increase our customer base we will adopt the following policies:

- A). Promote and lobby for industrial zoning along the railroad right of way. We will work closely with county and state economic development departments to court businesses to the area.
- B). Open intermodal and transloading terminals at strategic locations along the rail line.
- C). Work to up grade service to current customers to assure that these customers are not neglected.
- D). Develop relationships with customers that are not active that have sidings in an effort to re-establish service.
- E). Offer flexibility in our service. We will work with customers to install rail spurs or offer other flexible services, allowing them to ship by rail without inconvenience.
- F). Have a local presence and be accessible. A customer must be able to reach us 24 hours a day.
- G). Have a quality assurance system in accordance with Juran and Demming systems.
- H). Sell business and market options, not just transportation services.
- I). Work closely with Southern Pacific Transportation to promote and exploit business situations of mutual advantage which will give an edge over competitors in the area (trucking and Union Pacific).

We have researched the following commodity outlooks for this rail line and have reached the following conclusions:

A). Agriculture

1). Goshen Valley

The Goshen Valley is strictly an agricultural area, with many of the orchards that used to be located in the Utah Valley moving to this area. Production is mostly fruit, wheat, oats, barley, cattle, sheep, and dairy. There will not be any noted decrease in this production over the next ten years.

2). Utah Valley

As the population of Utah Valley continues to increase, the amount of agriculture will decrease in the area. Most of the agriculture will be centered in the Payson/Spanish Fork areas.

B). Mine production

It is speculated that during the Clinton administration, the price of gold will rise above the 500 dollar mark, spurring the mines in Tintic to resume production.

C). Area growth and expansion

The rail line of discussion in this proposal is located mostly in Utah county. The last two miles of the rail line are located in Juab county. These are the estimated growth figures for population and business as estimated by the Economic Development Corporation of Utah:

1). Utah County

Utah County currently has a population of 263,590, with anticipated growth to 358,089 by the year 2010. Most of this growth will be in the towns of Alpine/Highland, Lehi, American Fork and Pleasant Grove, as the Provo/Orem area possesses little land for residential and business expansion.

Springville, Spanish Fork and Payson will experience growth in population as a result of their economic development efforts.



While Provo/Orem will continue to attract high technology businesses, it is anticipated that cities to the south will attract more basic and industrial type concerns. Agriculture will also remain a primary economic force.

## 2). Juab County

In the area of concern in Juab county we do not anticipate any growth.

# IV. OPERATING PLAN

## A. TRAIN FREQUENCY

At the current level of service four trains a week will be necessary. They are as follows:

- (2) Cressona/Christiansen/Huff
- (2) Kiegley/Elberta

This schedule will be adopted for the first year of operation as we work to increase carloadings.

Beyond the first year our intention is to operate five trains a week, with a sixth (Saturday) train when lading to be moved is over 300 tons.

## B. CREW/STAFF REQUIREMENTS

1). This outline shows what management responsibilities will be needed for this company, how these responsibilities will be carried out, and how managerial functions relate to each other.

### Executive Department

- Chief Executive Officer-Barry Maxfield
- Chief Operating Officer-Ronald Mitchell

### Accounting Department

- Chief Financial Officer-Max Chatwin

### Operating Department, Division

- Superintendent
- Trainmaster
- Yardmaster
- Chief Dispatcher

System Engineering Department  
 System Engineer  
 Roadmaster  
 Section Foreman

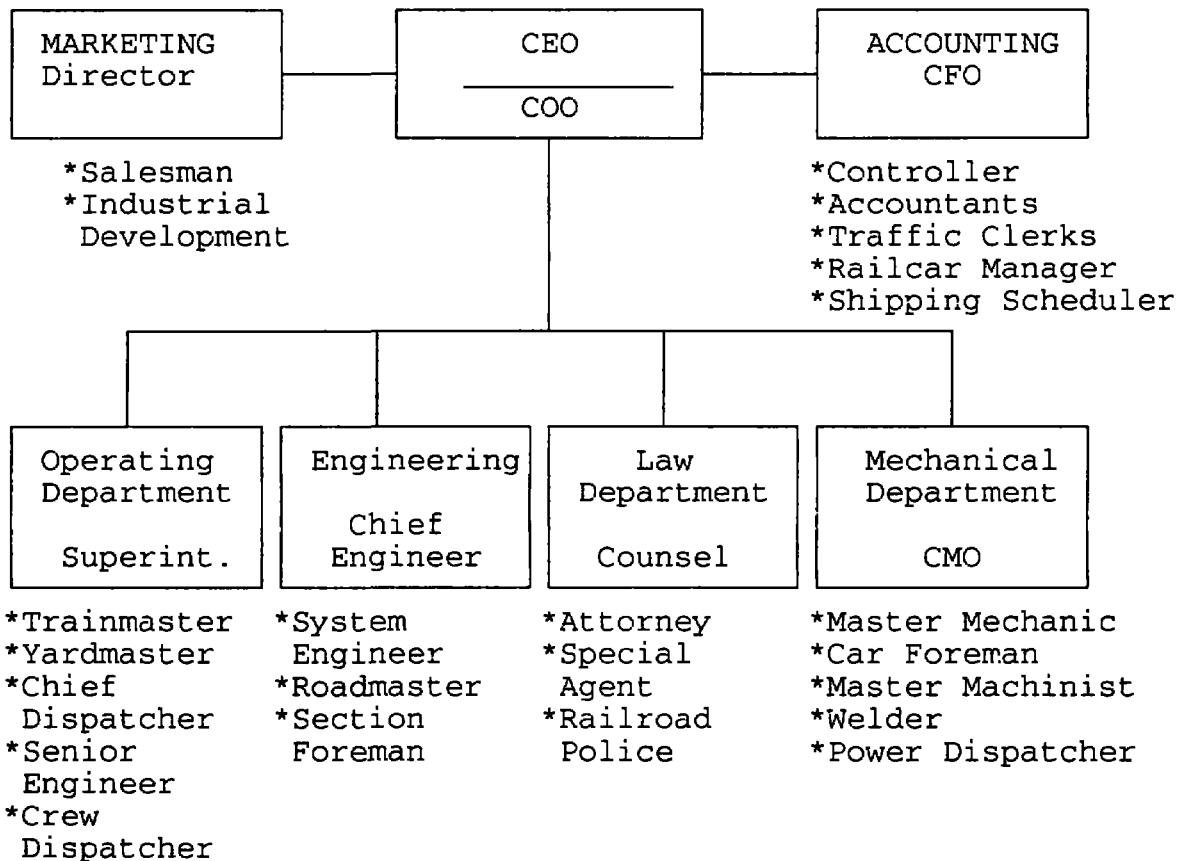
Marketing Department  
 Marketing Director

Law Department  
 General Counsel-James Clark, Esquire

Mechanical Department  
 Chief mechanic-Edwin Shurtliff

## 2). Table of organization

The proceeding block diagram shows the relationship of an entity inside an individual operating division. The blocks show the title of the manager who reports to the COO. Below the blocks are the foremen which interface with the individual employee groups.



### 3). Management

The management of a railroad must be oriented with the administration of daily operations as a major focus. All departments are accountable to the Chief Executive Officer (CEO). The Chief Operating Officer (COO) has responsibility over all operating divisions, both corporate and operating (in railroad terminology an operating division refers to a section of track in a system). All operating division superintendents, each of whom report to the COO, are responsible for an individual operating division. The accounting and marketing departments report directly to the CEO, as these departments oversee their respective operations company wide.

### 4). Staffing The Organization

As the UWRR is a startup company, it is obvious that all management positions are not necessary, although most of the functions are. As the company experiences growth and as the work load warrants, personnel will be hired to assume some of these responsibilities. Other responsibilities will be contracted out (i.e. accounting, track engineering, legal work). Realistically, during the first three years of operation a staff of people to operate the railroad will not be needed. The officers of the corporation will be able to handle the work load involved in operating this line. When help is necessary, we will hire temporary people.

We will contract the following services as needed:

- Legal
- Accounting/Taxes
- Heavy diesel engine repair
- Crane and Truck services
- Railroad vehicle repair
- Security
- Track engineering

### C). LOCOMOTIVE REQUIREMENTS

1). Locomotive requirements will be met through the leasing of locomotives. To begin operation we will require two switch engines of 1000 horsepower each, with multiple unit capabilities and B-B trucks due to the light rail.

Specific models under consideration are as follows:

EMD SW7 or SW9  
 EMD SW1200  
 EMD GP-7 or GP-9  
 Alco S-2  
 Alco S-6  
 Baldwin S-12

2). Locomotive maintenance and repairs will fall under the consideration of this group or will be contracted out; many shops with excess capacity, such as Union Pacific-Salt Lake City, Salt Lake Garfield and Western, Kennecott, and Morrison-Knudsen-Martin Utah shop, are located in close proximity.

#### D). RAIL UPGRADE REQUIREMENTS

In the first year of operation, no effort will be exerted to upgrade the line beyond the following conditions:

Springville-Kiegley.....ballasting, weed control.  
 Kiegley-Elberta.....weed control  
 Elberta-Burgin.....replace bolts in broken rail  
 joints (8). Regauge M.P. 24

In the second year of operation a program of rail replacement, ballasting and general rehabilitation will be implemented as shown in our maintenance matrixes. This includes minimal rehabilitation of the line to Burgin (to be held in reserve for future shipments of mine ore concentrates).

#### E). RAILCAR REQUIREMENTS

1). In the first year of operation the following types of railcars will be needed:

Car Type	Commodity	Availability
open hopper	limestone	lease/purchase
covered hopper	grain	pool
bulkhead flat	aluminum bar	pool
boxcar	clay	pool
boxcar	metal forgings	pool
covered hopper	sand	UW Owned

The cars for Kiegley limestone will need to be purchased or leased, as the per diem cost to keep a set of cars out of pool service would make this operation cost prohibitive. All other

cars can be arranged from pool service, as they are readily available and tend to have a short turnaround time.

2). The maintenance and repair of railcars can be performed by The Utah Western or contracted out to the following local shops:

Intermountain Power Project-Rail car facility-Springville.  
Union Pacific Railroad-Provo.  
Salt Lake Garfield and Western-Salt Lake City.  
Utah Railway-Martin.

#### F). SUPPLEMENTAL OPERATING CONSIDERATIONS

##### 1). Snow removal

During the winter snow removal will only be maintained up to and including the Kiegley mine.

##### 2). Seasonal track washout

There are no areas of concern for washout.

##### 3). Union status

The Utah Western Railroad Company does not keep any organized labor movements in its ranks of employees. We believe that if an employee is dealt with fairly there is no need for such organization.

##### 4). Engineer licensing

Engineering certification shall be in compliance with 49 CFR Part 240. The Utah Western Railroad Company will submit its certification program to the Federal Railroad Administration for approval on February 5, 1994.

##### 5). ICC Filing

At the present time the Utah Western Railroad Company stands ready to file a certificate of exemption with the Interstate Commerce Commission.

#### V. TARIFFS

##### A). BY CLASSIFICATION

The following freight classifications will be routinely carried on this line:

RAILROAD REVENUE CARLOADING  
CLASSIFICATIONS

Commodity	Estimated Annual Carloadings
Grain	320
Fruit	1100
Vegetable	50
Fertilizer	90
Meat	0
Livestock	0
Metallic ores	52
Coal	5
Crushed stone, gravel, sand	1820
Non metallic minerals	10
Grain mill products	25
Food and kindred products	16
Primary forest products	0
Lumber & wood products	50
Pulp, paper & allied products	100
Chemicals & hazardous materials	10
Petroleum products	0
Stone, clay & glass products	0
Coke	1
Metals & products	15
Motor vehicles	0
Motor vehicle parts	0
Waste & scrap materials	25
Beer & other liquors	0
Concrete	40
Sweeteners	0
Total	3,729

The total shown is the amount of railcars estimated for the third year. The number of carloadings are anticipated to increase 22% per annum afterwards.

RAILROAD REVENUE CARLOADING  
CLASSIFICATIONS  
AND RATES

Commodity	Rate per 100 wt
Grain	.12

Fruit	.14
Vegetable	.14
Fertilizer	.16
Meat	.14
Livestock	.23
Metallic ores	.16
Coal	.14
Crushed stone, gravel, sand	.12
Non metallic minerals	.14
grain mill products	.12
food and kindred products	.14
primary forest products	.14
Lumber & wood products	.15
Pulp, paper & allied products	.13
Chemicals & hazardous materials	.17
Petroleum products	.17
Stone,clay & glass products	.12
Coke	.12
Metals & products	.14
Motor vehicles	.18
Motor vehicle parts	.16
Waste & scrap materials	.14
Beer & other liquors	.16
Concrete	.12
Sweeteners	.14

#### B). STATION TO STATION

The following revenue earning stations are applicable to this rail line:

Burgin  
 Elberta  
 Goshen  
 Genola  
 Payson  
 Sugar Works  
 Spanish Fork  
 Springville

#### VI). TRACK MAINTENANCE

This section refers to the programmed track maintenance which the Utah Western will be undertaking. The programmed maintenance schedule shown will allow this rail line to be maintained to a Class 2 condition as outlined in 49 CFR part 213. Track engineering will be in accordance with the guidelines outlined by the American Railway Engineering Association (AREA) and the Association of American Railroads.

The annual expenditures for programmed maintenance are outlined in the following matrixes. The amount shown for the fifth year will be typical of the expenditures for rail maintenance from the fifth year on, with adjustments for inflation.

Programmed Maintenance Costs  
First Year

Milepost 0.0 to milepost 32.4

Rdwy maint. QTY. Units Unit/cost Cycle Cost/mile

A). Replace ties. 60/mile/year, each 8 years.

cross ties 7X9X8'	1,944	each	18.50	8yrs	138.75
switch ties	6	each	33.16	8yrs	.77
replace crossties	8	days	9,850	8yrs	38.00
replace switchties	1	day	400	8yrs	2.77
company service	3	crew	620	8yrs	2.39
work train	3	days	1600	8yrs	6.17
unload ties	1,950	each	.18	8yrs	1.35
pickup ties	1,950	each	.60	8yrs	4.51
labor additive					200.73
sales tax					128.88

---

Total per Mile.....\$385.57

B). Surface and line track (32.4 miles)

ballast	570	Cubic yards	5.21	8yrs	\$206.23
---------	-----	-------------	------	------	----------



unload ballast	2	days	766	8yrs	5.31
surface and line track	6	days	2,375	8yrs	16.49
company service	2	crew	206	8yrs	25.75
work train	2	days	800	8yrs	5.55
labor additive					77.79
sales tax					18.10

---

Total per mile.....\$355.22

C). Road Crossings

Asphalt crossing	160 ft.	93.75	15yrs	\$132.00
unload material	1 day	610.00	15yrs	2.25
replace crossing material	5 days	400.00	15yrs	1.48
crossbuck signs	12 each	60.00	20yrs	2.00
whistle posts	12 each	44.00	20yrs	1.46
install X Bucks	12 each	40.00	20yrs	1.33
install whistle post	12 each	20.00	20yrs	.66
labor additive				105.00
sales tax				60.00

---

Total per mile.....\$306.18

D). Normalized maintenance

FRA Inspection Fee	\$ 55.55
2 man section gang	\$450.00
Track inspector (1day/month)	\$210.00
Rail/90# (3-33' rails mile)	\$297.00
Vegetation Control	\$235.00
Maintain bridges	.54
State inspector Hi-rail time	\$ 40.00

---

Total per mile.....	\$1,476.75
	\$ 385.57
	\$ 355.22
	\$ 306.18

Total normal maintenance  
per mile.....\$2,523.72

Programmed Maintenance Costs  
Second, Third and Fourth year

Milepost 0.00 to milepost 32.4

Rdwy maint.	QTY.	Units	Unit/cost	Cycle	Cost/mile
-------------	------	-------	-----------	-------	-----------

---

A). Replace ties. 60/mile/year, each 8 years.

cross ties					
7X9X8'	1,944	each	18.50	8yrs	138.75
switch ties	6	each	33.16	8yrs	.77
replace					
crossties	4	days	5,105	8yrs	38.00
replace					
switchties	1	day	400	8yrs	2.77
company					
service	3	crew	310	8yrs	2.39
work					
train	3	days	800	8yrs	6.17
unload ties	4,470	each	.18	8yrs	1.35
pickup ties	4,470	each	.60	8yrs	4.51

labor additive	200.73
sales tax	128.88

---

Total per Mile.....\$358.57

B). Surface and line track (32.4 miles)

ballast	570	Cubic yards	5.21	8yrs	\$206.23
unload ballast	2	days	766	8yrs	5.31
surface and line track	6	days	2,375	8yrs	16.49
company service	2	crew	206	8yrs	25.75
work train	2	days	800	8yrs	5.55
labor additive					77.79
sales tax					18.10

---

Total per mile.....\$355.22

C). Road Crossings

Asphalt crossing	160 ft.	93.75	15yrs	\$132.00
unload material	1 day	610.00	15yrs	2.25
replace crossing material	5 days	400.00	15yrs	1.48
crossbuck signs	12 each	60.00	20yrs	2.00
whistle posts	12 each	44.00	20yrs	1.46
install X Bucks	12 each	40.00	20yrs	1.33

install whistle post	12 each	20.00	20yrs	.66
----------------------------	---------	-------	-------	-----

labor additive	105.00
sales tax	60.00

---

Total per mile.....\$306.18

D). Normalized maintenance

FRA Inspection Fee	\$ 55.55
2 man section gang	\$450.00
Track inspector (1day/month)	\$210.00
Rail/90# (3-33' rails mile)	\$297.00
Vegetation Control	\$235.00
Maintain bridges	.54
State inspector Hi-rail time	\$ 40.00

---

Total per mile.....	\$1,476.75
	\$ 385.57
	\$ 355.22
	\$ 306.18

---

Total normal maintenance  
per mile.....\$2,523.72

Programmed Maintenance Costs  
Fifth year

Milepost 0.00 to milepost 32.4

Rdwy maint.	QTY.	Units	Unit/cost	Cycle	Cost/mile
-------------	------	-------	-----------	-------	-----------

---

A). Replace ties. 320/mile/year, each 8 years.

cross ties 7X9X8'	4,464	each	18.50	8yrs	573.50
switch ties	6	each	33.16	8yrs	24.87
replace crossties	4	days	5,105	8yrs	35.45
replace switchties	1	day	400	8yrs	2.77
company service	3	crew	310	8yrs	2.16

work train	3	days	800	8yrs	5.55
unload ties	4,470	each	.18	8yrs	6.28
pickup ties	4,470	each	.60	8yrs	18.63
labor additive					200.73
sales tax					128.88

---

Total per Mile.....\$998.82

B). Surface and line track (32.4 miles)

ballast	570	Cubic yards	5.21	8yrs	\$206.23
unload ballast	2	days	766	8yrs	5.31
surface and line track	6	days	2,375	8yrs	16.49
company service	2	crew	206	8yrs	25.75
work train	2	days	800	8yrs	5.55
labor additive					77.79
sales tax					18.10

---

Total per mile.....\$355.22

C). Road Crossings

Asphalt crossing	160 ft.	93.75	15yrs	\$132.00
unload material	1 day	610.00	15yrs	2.25
replace crossing material	5 days	400.00	15yrs	1.48
crossbuck signs	12 each	60.00	20yrs	2.00

whistle posts	12 each	44.00	20yrs	1.46
install X Bucks	12 each	40.00	20yrs	1.33
install whistle post	12 each	20.00	20yrs	.66
labor additive				105.00
sales tax				60.00

---

Total per mile.....\$306.18

D). Normalized maintenance

FRA Inspection Fee	\$ 55.55
2 man section gang	\$450.00
Track inspector (1day/month)	\$210.00
Rail/90# (3-33' rails mile)	\$297.00
Vegetation Control	\$235.00
Maintain bridges	.54
State inspector Hi-rail time	\$ 40.00

---

Total per mile.....	\$1,476.75
	\$ 998.82
	\$ 355.22
	\$ 306.18

Total normal maintenance  
per mile.....\$3,142.97

VII. INSURANCE

We will carry the following insurance:

Liability.....	\$1,000,000
Dunnage.....	\$100,000
Fire.....	\$300,000
Equipment.....	\$30,000

VIII. FINANCING

The Utah Western will structure the financing package for the purchase of this line as follows:

Amount required: \$1,262,018

# Financing structure

U-7 offering (SCOR)	2%
IPO	10%
Private	
Investors	60%
Bank	2%
SBA	26%

The closing date for the purchase of this line would be midnight April 5, 1994.

## IX. FINANCIAL PROFORMA

The following projections are derived from anticipated carloadings.

Proforma statements are for a year, measured January to December.

### UTAH WESTERN RAILROAD COMPANY

#### Tintic Branch Outlined Projections

Nomenclature	1st	Quarters 2nd	3rd	4th	Annual total
<u>Year One</u>					
Sales	60,287.00	110,386	121,231.50	121,231.50	413,136.00
Maintenance costs	0	0	40,884.16	40,884.16	81,748.52
Gross profit	60,287.00	110,386	80,347.24	80,347.34	331,367.42
<u>Expenses</u>					
Wages	22,500.00	22,500	22,500	22,500	90,000.00
Payroll taxes	1,687.50	1,687.50	1,687.50	1,687.50	6,750.00
Sales expenses	6,000.00	3,000.00	1,500.00	1,500.00	12,000.00

Equipment leasing	18,000.00	18,000.00	18,000.00	18,000.00	72,000.00
Supplies	625.00	625.00	625.00	625.00	2,500.00
Fuel costs	4,201.60	4,201.60	4,201.60	4,201.60	16,806.40
Locomotive maint.	7,000.00	7,000.00	7,000.00	7,000.00	28,000.00
Railcar maint.	4,500.00	4,500.00	4,500.00	4,500.00	18,000.00
Rent	1,250.00	1,250.00	1,250.00	1,250.00	5,000.00
Variable costs	15,000.00	15,000.00	15,000.00	15,000.00	60,000.00
Other fixed costs	52,584.09	52,584.09	52,584.09	52,584.89	210,336.36
Total expenses					536,392.76
<u>Profit/loss</u>					(205,024.58)

YEAR TWO

Sales	650,809.00
Maintenance costs	81,768.53
Gross profit	569,040.47

Expenses

Wages	90,000.00
Payroll taxes	6,750.00
Sales expenses	16,000.00
Equipment leasing	72,000.00
Supplies	2,500.00
Fuel costs	20,367.36



Locomotive maint.	32,000.00
Railcar maint.	22,800.00
Rent	5,000.00
Variable costs	60,000.00
Other fixed costs	210,336.36
Total expenses	522,753.72
<u>Profit/loss</u>	46,286.75

YEAR THREE

Sales	710,863.00
Maintenance costs	101,832.00
Gross profit	609,030.77
<u>Expenses</u>	
Wages	110,000.00
Payroll taxes	8,250.00
Sales expenses	19,000.00
Equipment leasing	72,000.00
Supplies	3,000.00
Fuel costs	23,296.00
Locomotive maint.	35,000.00
Railcar maint.	24,000.00
Rent	5,000.00
Variable costs	61,000.00
Other fixed costs	210,336.36
Total expenses	570,882.36

<u>Profit/loss</u>	38,148.41
--------------------	-----------

YEAR FOUR

Sales	832,064.00
-------	------------

Maintenance costs	101,832.23
-------------------	------------

Gross profit	730,231.77
--------------	------------

Expenses

Wages	130,000.00
-------	------------

Payroll taxes	9,750.00
---------------	----------

Sales expenses	22,000.00
----------------	-----------

Equipment leasing	108,000.00
-------------------	------------

Supplies	3,300.00
----------	----------

Fuel costs	34,944.00
------------	-----------

Locomotive maint.	50,000.00
-------------------	-----------

Railcar maint.	32,000.00
----------------	-----------

Rent	5,000.00
------	----------

Variable costs	62,550.00
----------------	-----------

Other fixed costs	210,336.36
-------------------	------------

Total expenses	667,880.36
----------------	------------

<u>Profit/loss</u>	62,351.41
--------------------	-----------

YEAR FIVE

Sales	980,000.00
-------	------------

Maintenance costs	101,832.23
-------------------	------------

Gross profit	878,167.77
--------------	------------

Expenses

Wages	150,000.00
Payroll taxes	11,250.00
Sales expenses	40,000.00
Equipment leasing	108,000.00
Supplies	3,900.00
Fuel costs	38,464.00
Locomotive maint.	55,000.00
Railcar maint.	36,000.00
Rent	5,000.00
Variable costs	63,850.00
Other fixed costs	210,336.00
Total expenses	721,800.00
<u>Profit/loss</u>	156,367.77

X. QUALITY POLICY STATEMENT

The objective of The Utah Western Railroad Company is to market and deliver transportation services that meet or exceed the performance and reliability requirements of our customers. To this end we are committed to a policy of total quality management and continuous quality improvement. We are committed to establish and maintain a quality performance measurement system in support of corrective action and quality improvement. Our policies and procedures are designed to deliver on time, reliable, and defect free service.

We recognize the rights of all employees to be properly trained and to have the proper equipment and work environment. We also recognize that quality and reliability is the responsibility of every department and every employee. Consequently each employee is responsible for his area of expertise and stewardship. Employees are charged with stopping and correcting any work in process that will adversely affect the delivery of reliable transportation services to the customer.

Our quality manual is intended to outline the quality assurance system employed by The Utah Western Railroad Company to obtain compliance with the wishes and requirements of the customer. The manual provides personnel and customers of The Utah Western Railroad Company with a description of company policy for maintaining an effective quality assurance system. No changes in the manual or supplementary quality assurance procedures are valid until approved by the quality assurance manager.

#### XI. UTAH WESTERN MISSION STATEMENT

THE MISSION OF THE UTAH WESTERN RAILROAD COMPANY is to provide cost effective transportation services to on and off line customers. Our company provides flexible shipping options which allow our customers to maintain existing and initiate new business prospects and opportunities. We have the responsibility of being actively involved in supporting the economic development of any area which we serve, assisting existing customers while continuously soliciting new customers and actively inviting new businesses to our area.

THE UTAH WESTERN RAILROAD COMPANY is dedicated to serving the needs of customers, employees, shareholders, and the community.

THE UTAH WESTERN RAILROAD COMPANY serves customers by providing quality service on time at competitive prices. The company is "quality" conscious and requires employees to provide quality work while soliciting ideas for continuous improvement.

THE UTAH WESTERN RAILROAD COMPANY serves employees by providing a clean, safe working environment and the opportunity for open communication. The company will contribute to the prosperity and standard of living of employees by providing competitive wages and other appropriate benefits consistent with the employees ability and performance.

THE UTAH WESTERN RAILROAD COMPANY serves the needs of investors by operating profitably, expanding the company's flexibilities and markets, reducing debts, paying appropriate dividends, and enhancing stock value through appropriate expansion of operations.

THE UTAH WESTERN RAILROAD COMPANY serves as a good member of the community, always balancing human need with environmental concern.